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January 22, 2018

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk & Administrator
Public Service Commission of South Carolina

RE: Daufuskie Island Utility Company, Inc. Rate Application
PSC Docket No. 2014-346-WS

Dear Ms. Boyd:

I write to respond to the January 18, 2018, letter submitted by counsel for Haig Point Club and Community Association, Inc., Melrose Property Owner's Association, Inc., and Bloody Point Property Owner's Association (the "POAs"). Because the letter alleges Daufuskie Island Utility Company, Inc. ("DIUC") has acted "unlawfully" in response to this Commission's December 20, 2017, Directive (the "Directive") I am compelled to respond.

The January 18, 2018, letter faults DIUC for reducing its rates to comply with the Directive. The POAs' position is premised upon the notion that this Commission followed an expedited schedule in order to rule prior to the December 31, 2017, expiration of DIUC's rate bonds but that the Commission did not intend DIUC to act upon its Directive. The POAs assert: "The Directive directs DIUC to do the following, *after issuance of the Order*: i. Design and file rates that produce the revenue increase granted in *the Order*." This assumes that the Directive uses the word "Order" only to mean an additional forthcoming written discussion of the Directive. That is not a complete reading of the Directive, which also uses the term "Order" to refer to the Directive itself. The Directive includes the following:

Further Mr. Chairman, I would request this Commission issue a full written Order at a subsequent time, explaining all adjustments and rate matters, and that the Company design and file rates that produce the revenue increase granted in this Commission's Order. The Company should also file a schedule with the Commission demonstrating that the rate design produces the revenue granted in the Order. **These documents should be shared with the other parties in this case, who should verify that said rates are consistent with the provisions of this Order.**

Finally, **I move that the Company issue refunds, pursuant to S.C. Code Ann. Section 58-5-240, consisting of the difference between the amount allowed by this Order and the full amount originally requested by the Company, along with 12% interest.**

January 22, 2018
Page 2 of 2

Directive dated December 20, 2017 (emphasis added). These references to the Directive itself as “this Order” certainly indicate that the Directive is an “order” and that the Directive was intended to instruct and empower DIUC to act. This reading is also consistent with the timing of the hearing and the reason for the issuance of the pre-December 31, 2017, decision. If the POAs’ reading were correct, the Commission rushed to issue only an advisory preview of a later forthcoming order.

If DIUC’s January 1, 2018, billings were not based on new rates and refunds were not made pursuant to the Directive, the then-existing “108.9% rates” would have had to be billed, but with no bond in effect to assure refunds. Such a billing would have been contrary to the law that the POAs aggressively advocated most recently required an order reforming the existing bonds. *See* Directive 2017-721, dated November 29, 2017. The Directive provided DIUC clear instructions and it acted in accordance with the same. DIUC did not change its rates without approval; the Directive set forth the Commission’s approved rates

The POA letter also characterizes DIUC’s explanation of its refunds, specifically the interest rate calculation and application to the various circumstances as “nonsensical.” However, the POAs have not provided an alternative interest calculation or a narrative explanation of the methodology the POAs believe applicable. DIUC endeavored to explain its calculations.

This rate proceedings has been incredibly expensive for DIUC, first because of the appeal and then as a result of remand discovery and the rehearing. Now, following the rehearing specifically scheduled to allow for an order which did, in fact, determine DIUC’s rates before the end of the year, DIUC continues to incur unnecessary costs to respond to the POAs’ claims and its “boycott” of the water and sewer charges lawfully billed pursuant to order of the Commission.

Sincerely,

/s/

Thomas P. Gressette, Jr.

Enclosures

c: Standing Hearing Office David Butler (David.Butler@psc.sc.gov)